

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L LONDON 05434

USEEC

E.O. 11652: XGDS-1
TAGS: ENRG, UK
SUBJECT: CHEVRON AND BNOC IN PUBLIC ARGUMENT

1. BEGIN UNCLASSIFIED. DURING A MAJOR LIVE U.K. TELEVISION PROGRAM ON NORTH SEA OIL NARRATED BY DAVID FROST, THE CHEVRON (SOCAL) VICE-CHAIRMAN CALLED THE BRITISH NATIONAL OIL CORPORATION (BNOC) AN "ALBATROSS" AROUND THE NECK OF OFFSHORE OIL COMPANIES. MR. GEORGE KELLER, PARTICIPATING VIA LIVE SATELLITE IN THE APRIL 4 DISCUSSION, WENT ON TO SAY BNOC "WAS MAKING NO CONTRIBUTION TO THE BRITISH ECONOMY BUT WAS RESPONSIBLE FOR A SLOWDOWN IN NORTH SEA DEVELOPMENT. I CAN THINK OF NOTHING THAT HAS BEEN ACCOMPLISHED ON NINIAN (OILFIELD) WHICH COULD NOT HAVE BEEN ACCOMPLISHED FASTER AND AT A LOWER COST WITHOUT BNOC."

2. BNOC'S CHAIRMAN, LORD KEARTON, RESPONDED FROM THE U.K. STUDIO BY SAYING THAT CHEVRON HAD NEVER HANDLED A PROJECT AS LARGE AS NINIAN AND MUCH OF THE CREDIT THAT IT WAS BEING DONE PROPERLY WAS DUE TO BNOC. KEARTON
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SAID CHEVRON'S LONDON OFFICE HAD TOLD HIM THEY WERE PLEASED WITH RELATIONS WITH BNOC. HE REFERRED TO KELLER AS A "BACKWOODSMAN" IN THE OIL INDUSTRY.

3. AN ARTICLE IN THE APRIL 6 "FINANCIAL TIMES" OBSERVED, "BOTH LORD KEARTON AND MR. ANTHONY WEDGWOOD BENN, ENERGY SECRETARY, WERE ANGERED BY MR. KELLER'S REMARKS. AS

BOTH ARE ASSOCIATED WITH THE AWARD OF DISCRETIONARY DRILLING LICENSES, THE ATTACK ON THE CORPORATION MAY WEIGH AGAINST ANY FUTURE LICENSE APPLICATION SUBMITTED BY CHEVRON. IT HAS BEEN EMPHASIZED IN THE PAST THAT COMPANY ATTITUDES TOWARDS GOVERNMENT REGULATIONS AND CORPORATION PARTICIPATION ARE TAKEN INTO ACCOUNT WHEN APPLICATIONS ARE CONSIDERED. AMOCO, FOR INSTANCE, WAS EXCLUDED FROM THE FIFTH ROUND OF LICENSES BECAUSE OF ITS OPPOSITION AT THE TIME TO VOLUNTARY STATE PARTICIPATION. END UNCLASSIFIED.

4. BEGIN CONFIDENTIAL. CHEVRON'S LONDON OFFICE IS VERY CONCERNED THAT THEIR COMPANY MAY FACE ROUGH GOING IN FUTURE DEALINGS WITH BNOC AND THE GOVERNMENT. THEY ARE SUGGESTING THAT KELLER COME TO LONDON FOR WHATEVER AMEND ARE POSSIBLE WITH KEARTON AND BENN. OUR UNDERSTANDING IS THAT MANY OIL COMPANY DEALINGS WITH KEARTON AND BNOC ARE SPIRITED IN TONE, BUT WE WERE SURPRISED TO SEE SUCH A FRANK STATEMENT OF VIEWS BY KELLER IN THIS FORUM. THE TIMING OF THE ARGUMENT WAS ALSO UNFORTUNATE FOR SOCAL, SINCE THE VERY NEXT DAY BENN ANNOUNCED BNOC'S NEW FIRST REFUSAL RIGHTS ON TRANSFERS OF EXISTING LICENSES (LONDON 5300).

5. CHEVRON IS EXCEEDINGLY VULNERABLE TO TIME DELAYS OF ANY SORT ON THE GIANT NINIAN PROJECT. THE LARGEST CONFIDENTIAL

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PRODUCTION PLATFORM, ALREADY BADLY BEHIND SCHEDULE BECAUSE OF LABOR DIFFICULTIES AND SHORTLY TO BE FLOATED OUT, HAS NO OIL OFFLOADING FACILITY. IT IS THUS DEPENDENT UPON COMPLETION OF THE SULLOM VOE LANDING FACILITY IN THE SHETLANDS, WHICH ITSELF IS BEHIND SCHEDULE. THIS CHICKEN-AND-EGG DELAY ON THE \$3 BILLION PROJECT WAS COMPOUNDED THIS WEEK WHEN OVER 500 WORKERS HALTED WORK ON THE ONE NINIAN PLATFORM ALREADY IN PLACE. AT STAKE WERE BONUS PAYMENTS FOR CRAFTSMEN. HOWEVER'

OUR GUESS IS THAT ANY GOVERNMENT IRRITATION WITH CHEVRON WOULD BE MORE LIKELY TO AFFECT THEIR FUTURE OPERATIONS THAN THE NINIAN PROJECT. THIS MAY WELL BE ELECTION YEAR, AND LABOR GOVERNMENT ASSOCIATION WITH BUREAUCRATIC DELAYS OVER NORTH SEA PRODUCTION (WHICH IS ALREADY BEHIND SCHEDULE) WOULD NOT BE LIKELY TO IMPROVE THEIR ELECTORAL PROSPECTS. END CONFIDENTIAL.

BREWSTER

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